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FOR SECRETARY KISSINGER FROM ROBINSON

E.O.: 11652: GDS

TAGS: EGEN, EENG, OVIP KISSINGER, OVIP ROBINSON, SA

SUBJ: CONSULTATION WITH SAUDI ARABIAN GOVERNMENT ON PRO-
DUCER-CONSUMER RELATIONS AND COMMODITY POLICY

SUMMARY: EXTENDED DISCUSSION WITH YAMANI, TAHER AND PRINCE SAUD RESTORED COOPERATIVE SPIRIT IN WORKING TOWARD COMPROMISE BASIS FOR RESUMING PRODUCER-CONSUMER CONFERENCE WHICH WOULD PERMIT CONSIDERATION OF LDC/OPEC CONCERNS ON COMMODITIES IN MANAGEABLE PROCEDURAL SETTINGS. SCOPE FOR POSSIBLE AGREEMENT ON PROCEDURAL APPROACH TO RENEWED PREPCON WAS EVIDENT, ALTHOUGH NO OFFICIAL PROSALS WERE OFFERED AND NO COMMITMENTS MADE.

1. I MET WITH YAMANI, HIS DEPUTY ABDEL HADY TAHER (SAG DELEGATE TO PREPCON) WITH AKINS, POASTS AND MATTHEWS FOR TWO AND ONE-HALF HOURS TODAY. PRINCE SAUD JOINED DISCUSSIONS FOR LAST HOUR.

2. WE REVIEWED CAUSES OF BREAKDOWN OF PARIS PREPCON AND I STRESSED REVOLUTIONARY NATURE OF ALGERIA-INSPIRED PROPOSALS SUPPORTED BY OPEC/LDC BLOC. I SAID USG APPROACHING PROBLEM IN POSITIVE SPIRIT OF SEEKING WAYS TO RECONCILE ISSUES BY DEVELOPING PROPOSALS THAT RECOGNIZE INESCAPABLE GLOBAL ECONOMIC INTERDEPENDENCE. PREPCON SHOULD BE RECONVENED WHEN THERE IS ASSURANCE OF AGREEMENT ON WORKABLE PROCEDURES FOR ADDRESSING ENERGY AND

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COMMODITY ISSUES.

2. I TOLD THEM THAT OUT OF OUR DISCUSSIONS WITH IRANIANS HAD COME AN IDEA -- NOT YET EVEN A PERSONAL PROPOSAL -- FOR DISCUSSION LOOKING TOWARD A COMMON APPROACH WITH SAUDI ARABIA, IRAN AND VENEZUELA AND CONSENSUS AMONG OECD PARTICIPANTS. I SKETCHED IDEA AS FOLLOWS:

A. WHEN THE PROSPECTS ARE FAVORABLE CONVEENE AT MINISTERIAL LEVEL THE SAME GROUP OF 10 NATIONS THAT MET AT PARIS PRECON, AT WHICH EACH MINISTER WOULD SPEAK WITHOUT SUBSTANTIVE DEBATE ON ENERGY AND/OR COMMODITIES. AT THIS 2 - 3 DAY MEETING, TAKE ACTION ONLY TO SET UP THREE COMMITTEES, WHOSE MEMBERSHIP WOULD BE BASED ON OBJECTIVE CRITERIA LAID DOWN BY MINISTERS.

B. THREE COMMITTEES WOULD DEAL RESPECTIVELY, WITH (1) ENERGY AND RELATED FINANCIAL ISSUES; (2) OTHER COMMODITIES AND RELATED FINANCIAL ISSUES; (3) DEVELOPMENT ASSISTANCE TO POOREST AND MOST VULNERABLE LDCS. COMMITTEES WOULD MAKE RECOMMENDATIONS TO GENERAL CONFERENCE.

C. CONVEENE FURTHER DOWN THE ROAD, INITIALLY AT DEPUTY MINISTER LEVEL, GENERAL CONFERENCE OF 24-27 COUNTRIES TENTATIVELY SELECTED AT APRIL PREPCON OR REVISED LIST AGREED UPON AT MINISTERIAL PREPCON AS COMMITTEES ARE READY TO REPORT. (SUCH REPORTS MIGHT REFER SOME ISSUES TO SPECIALIZED COMMODITY ASSOCIATIONS, ETC., BUT WE DID NOT GO INTO THIS.)

4. YAMANI SAID TO MEET OBJECTIONS LIKELY FROM SOME LDCS, IT MAY BE NECESSARY FOR THE MINISTERIAL PREPCON TO CONVEENE AT A LATTER DATE, A GENERAL CONFERENCE OF 24-27 COUNTRIES, WITH THE LIMITED OBJECTIVE OF SELECTING MEMBERSHIP IN AND ESTABLISHING THE AGREED COMMITTEES. HE BELIEVED GENERAL CONFERENCE WOULD HAVE TO MEET PERIODICALLY FOR MANY YEARS, BECAUSE "THESE PROBLEMS WILL TAKE YEARS TO SOLVE."

5. TAHER, PARTIALLY SUPPORTED BY YAMANI, ARGUED THAT A FOURTH COMMITTEE WAS REQUIRED, ON INTERNATIONAL MONETARY REFORM, WITH EMPHASIS ON PROTECTING REAL ASSET VALUES OF INCOMES OF OIL AND OTHER MINERAL PRODUCERS AGAINST DETERIORATION IN TERMS OF TRADE. I DISAGREED, SAYING SUCH BROAD DISCUSSION OF

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MONETARY POLICY WOULD BE UNACCEPTABLE TO MOST OECD FINANCIAL AUTHORITIES BECAUSE THIS WOULD BE WRONG FORUM AND IT WOULD ASSURE THAT NOTHING WOULD BE AGREED. I ARGUED THAT FINANCIAL DISCUSSION SHOULD BE CONFINED TO FINANCIAL -- ESSENTIALLY CAPITAL AND TRADE -- ISSUES DIRECTLY RELATED TO ENERGY AND OTHER COMMODITY PRODUCTION AND TRADE.

6. YAMANI SUGGESTED SUBCOMMITTEES ON FINANCIAL AND MONETARY

MATTERS UNDER EACH COMMITTEE BUT LATER SEEMED TO BE INCLINED TO MY FORMULATION OF RELATED FINANCIAL MATTERS UNDER EACH COMMITTEE'S MANDATE.

7. I DEMONSTRATED DISTINCTION BETWEEN APPROPRIATE FINANCIAL DISCUSSION AND INAPPROPRIATE MONETARY DEBATE BY OUTLINING A POSSIBLE OUTCOME OF THE COMMITTEE WORK ON COMMODITIES AND LDC DEVELOPMENT. THIS IS THE CONCEPT I HAVE RECENTLY PRESENTED TO YOU, A SYSTEM DESIGNED TO MOBILIZE AND CHANNEL INVESTMENT CAPITAL INTO NEW RAW MATERIALS PRODUCTION CAPACITY, TO EXPAND AND STABILIZE MARKETS FOR BASIS MATERIALS, TO STABILIZE PRICES AND ASSURE RELIABLE SUPPLY FOR BENEFIT OF BOTH PRODUCERS AND CONSUMERS, AND TO STABILIZE EXPORT EARNINGS OF LOW-INCOME AGRICULTURAL GOOD EXPORTS. I CITED THIS APPROACH KEYED GENERALLY TO THE IDEAS OUTLINED IN YOUR KANSAS CITY SPEECH AS ILLUSTRATION OF KIND OF POSITIVE RESPONSE THAT IN MY OPINION AN INTERNATIONAL CONFERENCE MUST EVENTUALLY PRODUCE TO MEET NEEDS OF ALL COUNTRIES.

8. PRINCE AUD INDICATED BY HIS QUESTIONS SERIOUS INTEREST IN THESE IDEAS. ALL THREE SHOWED REALIZATION THAT THEIR SUSPICIONS THAT USG WAS STANDING PAT IN DEFIANT POSTURE WERE UNFOUNDED. WE AGREED TO EXCHANGE VIEWS FURTHER AFTER OUR FORTHCOMING IEA AND OECD CONSULTATIONS LOOKING TO DEVELOPMENT OF COMMON APPROACH.

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